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Mephistopheles & the Global Monetary Magicians

By Wilfred Hahn

This past year, we have observed some remarkable, worldwide—and, we would even say, earth-shaking—developments. It would not be an exaggeration to say so, and we will explain why. At the very least, another major turning point is evident. All of the world's largest central banks have crossed the so-called "Rubicon." They have gone past the point of no return. They knowingly and willingly have chosen to brazenly "steal and thieve." It is striking to witness.

What signifies a turning point … a new defining moment in the slide to global financial bedlam? Recently, some unorthodox new policies were announced by a number of major central banks around the globe.

In August, Mario Draghi, the head of the European Central Bank (ECB), announced that they would "do whatever it takes" to preserve the euro and the European banking system. He basically threatened financial markets to take him at his word. They did, and both European bond and stock markets soared, thinking that no matter how severe the financial state of the Eurozone, the central bank could be relied upon to eventually bail everyone out.

A few weeks later, the U.S. Federal Reserve Board (FRB) also demonstrated its resolve to print unlimited money (though claiming it will sterilize its purchases, for those who follow such things). It announced QE3 (Quantitative Easing #3, a third program to flood the economy with money deposits). Ben Bernanke, the head of the FRB, stated that he would do so "without limit" and assured financial markets that ZIRP (zero interest rate policy) would extend into the year 2015.

Meanwhile, the Bank of Japan announced one more of its "quantitative easings," the eighth by some counts. The monetary battles and currency wars of the world's central banks are in full swing.

It likely would not be surprising to most that the U.S. and Europe are still suffering from the after-effects of the conditions that led to the Global Financial Crisis (GFC). Government budget deficits are still large, economies are weak, and government debt levels continue to shoot higher, among other ailments. However, it is not only the weak countries that are suffering, but also the strong. How so? Because, given the globalized and integrated worldwide financial system, any financial imbalances or disturbances will radiate everywhere, touching everyone.

Particularly tragic is that countries such as Switzerland (also Canada, Singapore and others), which historically have been seen as stable countries, are also being adversely affected. As investors and depositors flee from financially-teetering countries (such as Greece, Spain and others), they seek safe investments.

As such, Switzerland, for example, is literally overwhelmed with flight capital. However, this deluge of money pushes up the exchange rate of the Swiss Franc. This, in time, severely impedes its export trade as manufacturers become uncompetitive due to an overvalued currency. Here we see that drowning swimmers, in their panic, pull under the strong swimmer as they grasp for safety. What we here witness is that major crises today are global, affecting the entirety of humanity. All will be pulled into the vortex of crises and instabilities.

Most tragic is that the Swiss National Bank (SNB), the central bank of a rather

small country (ranking the 19th largest in the world in terms of the size of its economy), and that has historically been considered a "hard money" institution (meaning, highly protective of the value of its currency), has decided that monetary integrity is much too costly. The SNB joined the "stealing and thieving" fraternity and began to buy in any and all European bonds to help stop the rise of its currency. To date, the cumulative money expansion of the SNB (i.e., the size of its balance sheet) is now equivalent to 79% (yes, this is correct, seventy-nine percent!) of the annual economic output (GDP) of Switzerland. This is unprecedented; more than three times the average of other major central banks.

Accelerating Trends with No Return

Without a doubt, we are now in an era where the major central banks of the world are desperate. They have chosen to break all the rules and have abandoned any semblance of probity and integrity. They are manipulating monetary systems and are creating "infinite" money as never before, openly and brazenly corrupting the "scales." As Mario Draghi was quoted as saying recently in an interview with *Spiegel* magazine: "We are also currently in a crisis that was previously inconceivable. It is

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therefore not very helpful to compare our measures with the past."

It is madness. Anyone with any common sense knows full well that such monetary magic cannot solve the problems at hand. At best, these tactics only serve to delay the ultimate outcomes. However, the more the delay, the more disastrous the final outcomes. That may yet take some time to unfold; or it may not. The exact timing of such turning points is impossible to predict. Some observers have commented that while it may take a long time for crises to finally break out, when they do unfold they do so extremely quickly. As Vladimir Lenin was to have said: "There are decades when nothing happens; and there are weeks where decades happen."

We would not be surprised were this to be the case, as several Bible prophecies leading to the Tribulation period mirror the same condition. The Lord may be tarrying, but when the time of judgment arrives, it will unfold lightning quick. For example, the final power regime that will rule the world just prior to the appearance of the Antichrist, will come to form very quickly and will be on the stage for only "one hour" (Revelation 17:12). And, the Antichrist, also identified as the 8th king who belongs to the prior 7 world hegemonic kingdoms, will exist but a "little while" (Revelation 17:10). "While people are saying, 'Peace and safety,' destruction will come on them suddenly, as labor pains on a pregnant woman, and they will not escape" (1 Thessalonians 5:3).

Enter the Mammon Lure of the Infinite

While we may already have a sense of the identity of the monetary magicians to whom we referred in this article's title (namely, the central bankers), just where does Mephistopheles come into this discussion?

Recently, Jens Weidman, President of the Bundesbank (Germany's central bank), who is a sharp critic of the policies of the European Central Bank, made the connection to Mephistopheles. He recalled the policies of Mephistopheles (this being the demon or devil in Goethe's version of *Faust*), attributing such similar policies to Mario Draghi (head of the European Central Bank). The comparison is certainly apt, though really applying to most all central bankers, not just Mr. Draghi.

In *Faust*, Mephistopheles makes this recommendation to the Emperor:

> Such paper, in the place of actual gold, is practical: we know just what we hold … But wise men will, when they have studied it, place infinite trust in what is infinite.

Perhaps wise men will be able to tame the metaphysical powers and carnal lures of "infinite" money, but not desperate and unprincipled people. So long as mankind will choose to serve Mammon (and bend its ear to consider its wicked temptations to gain and wealth), Mephistopheles will be able to organize and commandeer an unlimited number of antichrists to do his bidding and not God's. "[…] even now many antichrists have come. This is how we know it is the last hour" (1 John 2:18).

Yet, in view of the economic trials and troubles being experienced by many nations around the world, it was

only a matter of time before central bankers threw all caution and integrity to the wind. This deterioration in values is a natural handmaiden to the relativistic bent of increasingly humanistic and materialistic societies.

While the fractional-reserve system (upon which our modern-day monetary systems are based) has always embodied an element of sanctioned trickery and thievery, in the main, it is only since 2007 (the start of the Global Financial Crisis) that the major central banks all together began to invoke monetary policies that were extremely unorthodox.

Concerned that a major economic depression would unfold as a result of the many crises of financial institutions in 2007 (some of the biggest banks in the world and major Wall Street firms were technically bankrupt), central banks slashed interest rates to the bone. They did so in a coordinated fashion around the globe, more so than ever before. Even though a major contributor to the financial frailties was over-indebtedness, an express aim of these low-interest rate policies was to re-stimulate debt growth … to create more of "what is infinite." But just how did the world come to such a point where central banks had such overweening power?

The Root of the Infinite Lures of Mammon

Once upon a time, there were only a few central banks in the world. Only as recently as the year 1900, there were 18 such institutions in the world. At the time, all of these were in Europe, with the exception of the Bank of Japan. The gospel of central banking then spread widely between the two World Wars. By 1980, over 100 or so were in operation. After the rapid spread of globalization, there are now over 170. Even former and presently communist countries followed suit. Consider that China's central bank is today the second largest in the world!

By and large, all central banks have adopted the same basic operating policies. They claim that they can regulate the ebb and flow of inflation as well as debt growth in the commercial banking system. They do so through various means (the details of which we will spare the reader). Some central banks may be more constrained than others due to different country statutes and laws.

All the same, all central banks have one most powerful ability. Technically, they can "create" money out of thin air. Think about this for a moment: You the reader, and this writer, can only accumulate money through earnings and investment gains. We cannot lawfully create money; perhaps adding zeros to our bank account, or printing counterfeit notes. However, a central bank can effectively redistribute the existing savings of the entire country (and, we should add, the whole world) by creating more money.

As has been happening, and most notably this past half year, as already partially explained, central banks have created a lot of money. To this point,

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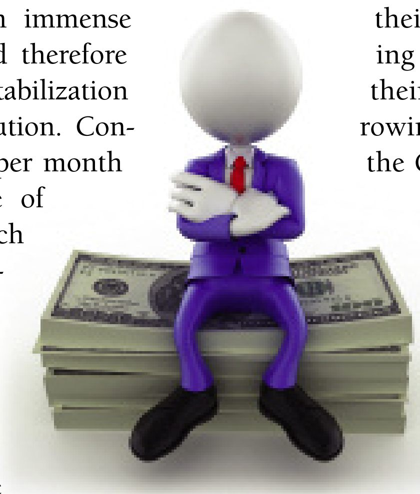
much of this money may remain inactive as bank deposits due to economic uncertainty. Nevertheless, consider the scale of central bank interventions over these past five years. For example, the U.S. Federal Reserve is buying some $85 billion in government and mortgage-backed bonds every month. It simply buys them, and by doing so, adds "instant" money to the commercial banking system.

All told, this is an immense amount of money and therefore also a significant destabilization of U.S. wealth distribution. Consider that $85 billion per month is an annualized rate of $1.02 trillion, not much less than the U.S. government's budget deficit. Believe it or not, dysfunctionalities have progressed to the point that some financial observers are concerned that there will be a shortage of longer-dated U.S. treasury bonds. It is hard to imagine that this could be true of a country with a government that must continue to issue over $1 trillion in treasury securities every year due to their still-massive budget deficit.



These massive distortions do not stop here. Globally, we note that the 8 largest central banks of the world have expanded their balance sheets (an indication of how much money they are pushing into the commercial banking system as well as non-bank sectors) from $5 trillion to $15 trillion since 2007. These figures are so large, they are impossible to gauge. Today, these central banks have swelled in size to the equivalent of nearly 24% of world GNP (gross national product)! This seems unbelievable. Yet, it is fact. Will there ever be any limits? Likely not.

To date, these activities have been largely ineffective at producing employment gains and acceptable economic growth. As such, the central banks are frustrated and desperate.

Mainly, this is because most households are reluctant (or may no longer qualify) to borrow money. Many people are too concerned about their future retirement, existing debts, or equity losses in their homes to consider borrowing money. The lessons of the Global Financial Crisis are still much too fresh. Given the corruptions and self-interest of Wall Street, households are not likely to "trust in the infinite" that the so-called wise men of monetary policy are foisting upon them.

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As a consequence, much of the "money printing" of the central bank sits idle as cash deposits or as reserves with the central bank. This is a main reason why consumer price inflation has yet to rise sharply. For this and other reasons, central bankers pat themselves on the back for having done a good job of saving the world from an economic depression. But, they speak much too soon. Eventually—and most assuredly—mankind will reap what they have sown. "They sow the wind and reap the whirlwind" (Hosea 8:7).

Thoughts to Ponder

Mephistopheles' alluring recommendation has wreaked its intended havoc. Once on the path of infinite money, there is no easy road back. In a recent speech, Richard W. Fisher, head of the Federal Reserve Board of Dallas (one of the few realists in the U.S. Federal Reserve System, and a man who has the courage to recognize the facts), said the following:

> The truth, however, is that nobody on the committee, nor on our staffs at the Board of Governors and the 12 Banks, really knows what is holding back the economy. Nobody really knows what will work to get the economy back on course. And nobody—in fact, no central bank anywhere on the planet—has the experience of successfully navigating a return home from the place in which we now find ourselves. No central bank—not, at least, the Federal Reserve—has ever been on this cruise before.

The ability to "create" unlimited money (whether technically, temporarily, or permanently) is a most powerful weapon. Yet, it remains that governments cannot alone create wealth or growth. They can most certainly delay the consequences of bad policies. But they cannot prevent the ultimate damages of past excesses. Ultimately, all destruction of productive capital will come to roost, though its results may be diverted for a time.

God did not give mankind the ability to create wealth fictitiously, but only through labor and savings. Nevertheless, the human has always been prone to believe "get rich" schemes. In this sense, modern-day central bankers delude themselves, as well as all people who put their hope in them.

There is no such thing as a free lunch. Similarly, there is no such thing as costless, fabricated money. Ultimately, all

money is owned by someone or some entity. When money is created fictitiously by the stroke of a pen, it may seem effortless, but it is not free. Over time, it causes painful societal distortions, economic dysfunctions and uneven wealth distribution. It all leads to (or is symptomatic of) increasing distrust and lawlessness at many levels.

Yet, for the time being, the world chooses to believe what it wants to believe. In the same spirit of the Old Testament Israelites, the world says, "Give us no more visions of what is right! Tell us pleasant things, prophesy illusions" (Isaiah 30:10).

The conversion of the whole world to the gospel of "infinite money" is near complete and fully integrated globally. The entire world is its host—its prey. It is a phenomenon that has swept the globe in a very short space of time … these being the very last of the last days. You can be sure that such conditions, born out of a corrupt monetary system as we see today, will play a defining role in leading the world to its foreknown destiny as described in the Bible. (MC)

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